

FREQUENTLY ASKED QUESTIONS ABOUT THE FEDERAL BUDGET

1. What is the projected total U.S. budget for FY 1999?

Federal government spending (including Social Security) is projected to be \$1,701 billion. "On budget" spending, which excludes Social Security, is estimated at \$1,381 billion. Net "off budget" spending (primarily Social Security) will be \$320 billion.

Major Categories of Spending - Fiscal Year 1999

	<u>Dollar Amount</u>	<u>Percentage of Federal Budget</u>
Discretionary Spending:		
Defense	\$275 billion	16 percent
Non-Defense	\$299 billion	18 percent
Entitlements and other "mandatory" except net interest:		
Social Security benefits	\$387 billion	23 percent
Medicare (net of premiums)	\$188 billion	11 percent
Medicaid	\$107 billion	6 percent
Other (e.g., Civil Service and Military Retirement, SSI, EITC, Veterans' benefits, etc.)	\$273 billion	16 percent
Miscellaneous receipts that offset spending	\$-57 billion	-3 percent
Net Interest	\$229 billion	13 percent

2. How much estimated tax revenue will the federal government collect in FY 1999?

Total federal government revenues (including Social Security) are estimated to be \$1,821 billion. On-budget federal revenues, which exclude Social Security, will be \$1,377 billion. Off-budget revenues (e.g., payroll taxes dedicated to Social Security) will be \$444 billion.

3. What is the estimated budget surplus for FY 1999?

The total budget surplus, including Social Security, will be \$120 billion. The on-budget deficit, which excludes Social Security, will be \$4 billion. The off-budget surplus will be \$124 billion due to Social Security's surplus.

4. What are the CBO and OMB projections for surplus in FY 2000?

CBO: CBO now projects that the fiscal year 2000 total budget surplus will be \$161 billion, and that there will be an on-budget surplus, which excludes Social Security, of \$14 billion.

OMB: In its July Mid-Session Review, the Administration estimates that the 2000 total budget surplus will be \$142.5 billion, with an on-budget surplus of \$5 billion.

5. Who is responsible for the FY 1999 budget surplus, Democrats or Republicans?

The answer: Democrats. According to CBO, the budget surplus we recorded in fiscal year 1998 — the first since 1969 — is an achievement for Congressional Democrats and President Clinton, *not* Republicans. According to CBO, the 103rd Congress (the last Democratic Congress) enacted legislation cutting the 1998 deficit by \$141 billion while the 104th and 105th Republican Congresses actually added \$11 billion to the 1998 deficit. In short, the Democrats did 100% of the legislative work needed to balance the 1998 budget. The key was the enactment of President Clinton's multiyear budget plan in 1993.

Unfortunately, CBO only estimated the effects of the 1993 plan through 1998, so we cannot state precisely how much the plan contributed to the 1999 surplus — almost certainly more than the 1998 savings of \$141 billion. However, we can be sure the Democrats still deserve almost all of the credit, because CBO data show that budget legislation by the 104th-106th Republican Congresses *cost* about \$10 billion in 1999. (The main bills were welfare reform, the 1997 reconciliation bill, the TEA-21 highway bill, the FY 1999 omnibus appropriations bill, and the recent Kosovo supplemental appropriations bill.)

6. What is the estimated total federal debt?

At the end of fiscal year 1999, the customary measure of gross *debt held by the public* is estimated to be \$3.618 trillion. This will be a reduction from the 1998 level, the second year in a row that there will be a reduction (1998 produced the first reduction since 1969). At the end of 1999, the amount of debt *subject to statutory limit* will be \$5.543 trillion. Statutory debt is higher than debt held by the public primarily because it also includes Treasury securities held by federal government trust funds, most notably the Social Security and federal employee and military retirement trust funds.

7. How large is the estimated Social Security Trust Fund balance?

At the end of fiscal year 1999, the estimated balance in the Old-Age-Survivors and Disability trust funds will be \$856 billion. CBO estimates that at the end of 2000, the Social Security trust fund balances will be \$1.003 trillion. Note that the "balance" is not the same as the annual surplus, which is the difference between annual revenues and annual spending.

8. What is the estimated cost of Medicare?

In fiscal year 1999, federal spending for Medicare benefits will be \$188 billion (net of premium receipts). In 2000, CBO now projects that the cost of Medicare benefits will be \$202 billion (net).

9. How rapidly have the costs of Medicare been increasing?

In the early 1990s, Medicare spending grew at rates in excess of 10 percent annually. In fiscal year 1998, Medicare spending grew at a rate of 1.5 percent, the lowest since the inception of the program in 1965. This low growth in spending is thought to be the result of less utilization of services, a stepped up crackdown on fraud and abuse activities, and the implementation of several payment reductions required by the Balanced Budget Act of 1997 (BBA). In 1999, the growth in Medicare spending is below the unusually slow rate of growth in 1998. However, most analysts do not expect the rate of growth to stay at this abnormally low rate.

Over the next decade, the Congressional Budget Office (CBO) projects an average annual growth rate of 7 percent in Medicare spending. Through 2003, however, CBO projects a somewhat lower average annual growth rate of 6 percent because most of the changes required by the BBA will be implemented during this time.

Budget Surpluses Projected by CBO, July 1999

CBO July 1999 Projections

(Billions of dollars, fiscal years)

	2000	2001	2002	2003	2004	First Five Years 2000-2004
Total Budget Surpluses	161	193	246	247	266	1,113
“On-budget” surpluses, which exclude Social Security	14	38	82	75	85	294
Social Security Surpluses	147	155	163	172	181	818
	2005	2006	2007	2008	2009	Second Five Years 2005-2009
Total Budget Surpluses	286	334	364	385	413	1,782
“On-budget” surpluses, which exclude Social Security	92	129	146	157	178	702
Social Security Surpluses	195	205	217	228	235	1,080
Total Budget Surpluses						Ten-years 2000-2009 2,895
“On-budget” surpluses, which exclude Social Security						996
Social Security Surpluses						1,898

Numbers are rounded to the nearest billion.